

# Realizing Economic Integration in Asia --- A Japanese View ---

ASEAN Leadership amid a New World Order

Albert del Rosario Institute

Prof. Yorizumi WATANABE

Faculty of Policy Management, Keio University

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# Two Major Sources of Uncertainty BREXIT & Trump Shock



# Why Brexit matters?: Major Japanese Companies Presence in the UK



company	Sales in the EU (Oku Yen)	British Employee	Export to the EU
Toyota	23,233	3,000	75% of the UK production to the EU
SONY	18,813	5,000	Headquarters function for the EU
Nissan	17,481	8,000	80% of the UK production to the EU
Canon	10,743	2,800	Camera, Multi-function equipment
Hitachi	9,511	5,000	8000 OkuYen awarded order trains
Toshiba	5,599	n.a.	Headquarters Function for the EU
Ricoh	5,310	3,000	Overall sales in the EU
Mitsubishi Electric	3,699	n.a..	Air conditioning system in the EU
KonicaMinolta	3,197	1,300	Multifunction office equipment
Takeda Pharma.	3,093	n.a.	Experiments for the entire EU market
Nomura HD	1,458	2,500	Supporting M&A, security, banking

# Trump opts for “bilateral trade deals”

- “bilateral deals” does **not** mean necessarily Free Trade Agreement (FTA): the only FTA Trump mentioned was the one with the UK
- “bilateral deals” with countries which run **trade surplus** with the US; e.g. Japan(\$68.6 billion), Mexico(\$58.4 billion), China (\$365.7 billion)
- The deals could imply balancing trade account via political interventions by governments: “**numerical targets**” of auto imports by Japan until “**reciprocity**” to be achieved
- Revival of “**procedural protectionism**” of 1980’s by way of Section 301 type of “**unilateralism**” ⇒⇒⇒WTO inconsistent

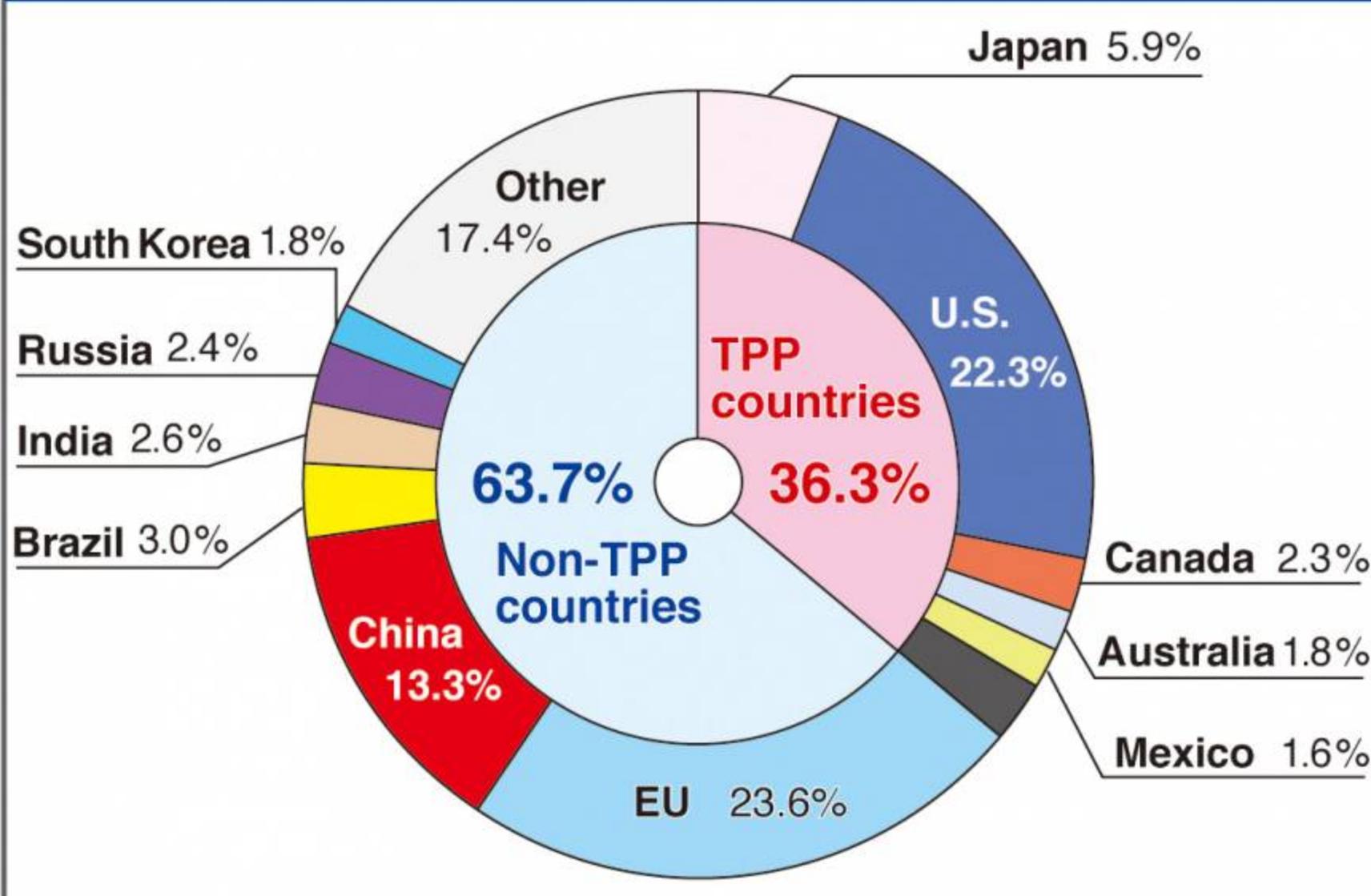
# Now the US withdraws from the TPP, China will . . .

- take advantage of the US withdrawal from **rule-making in trade and investment** across Asia-Pacific by imposing its own power-oriented trade policies: aggressive use of anti-dumping measures, state subsidies on steel
- lose incentives to enhance FTAs (RCEP, JCK) in absence of the TPP **jeopardizing further trade liberalization** in East Asia: China-Korea FTA(2015)
- instead accelerate the “**One Belt, One Road**” Initiatives by making full use of the **AIIB** as well as the BRICS Bank

⇒⇒⇒ Market economy principles are to be irreversibly pushed back and diminished if not completely abandoned

⇒⇒⇒ a **major crisis for the free democracy**

# Share of global GDP (2014)

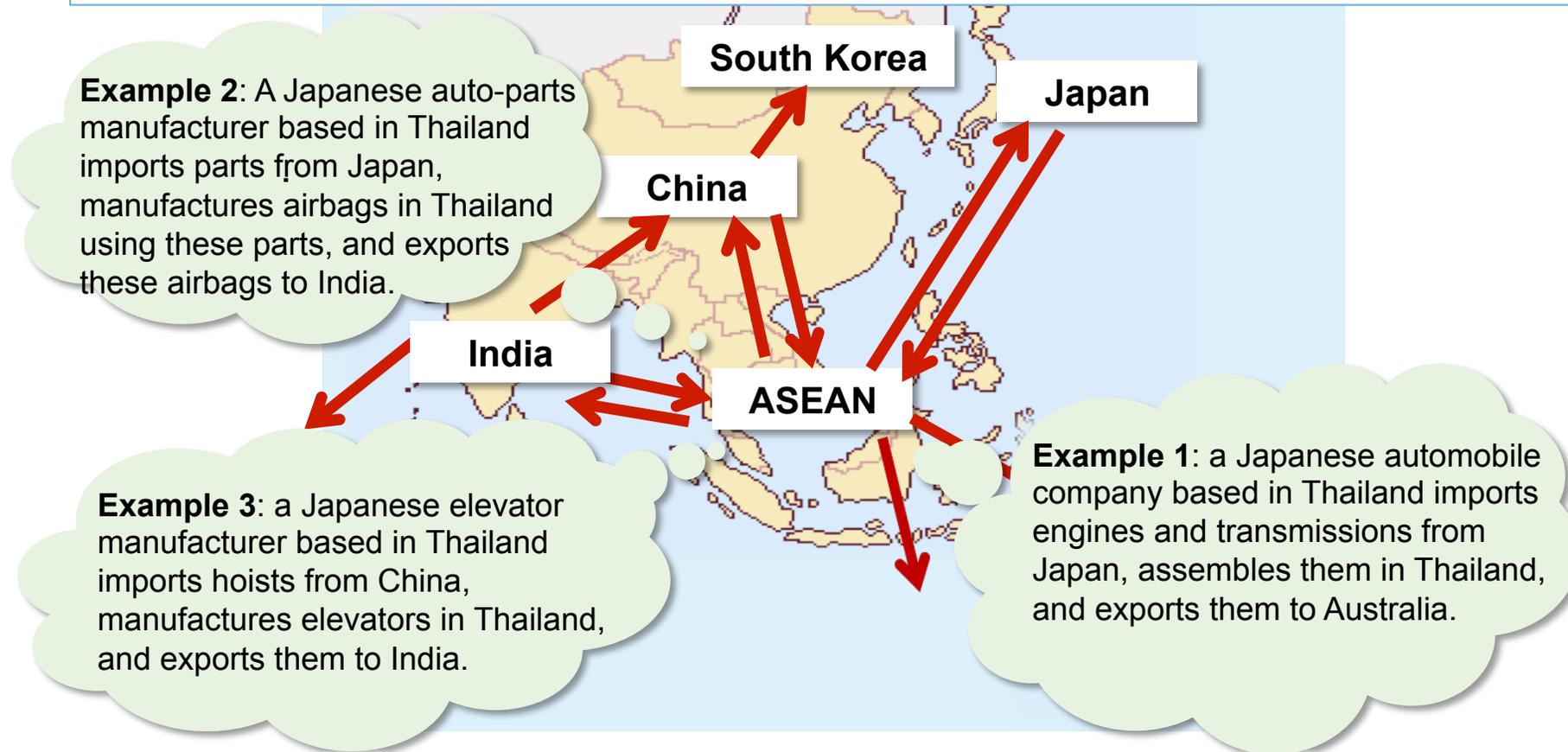


SOURCE: World Economic Outlook Database April 2014

# The significance of participation in RCEP

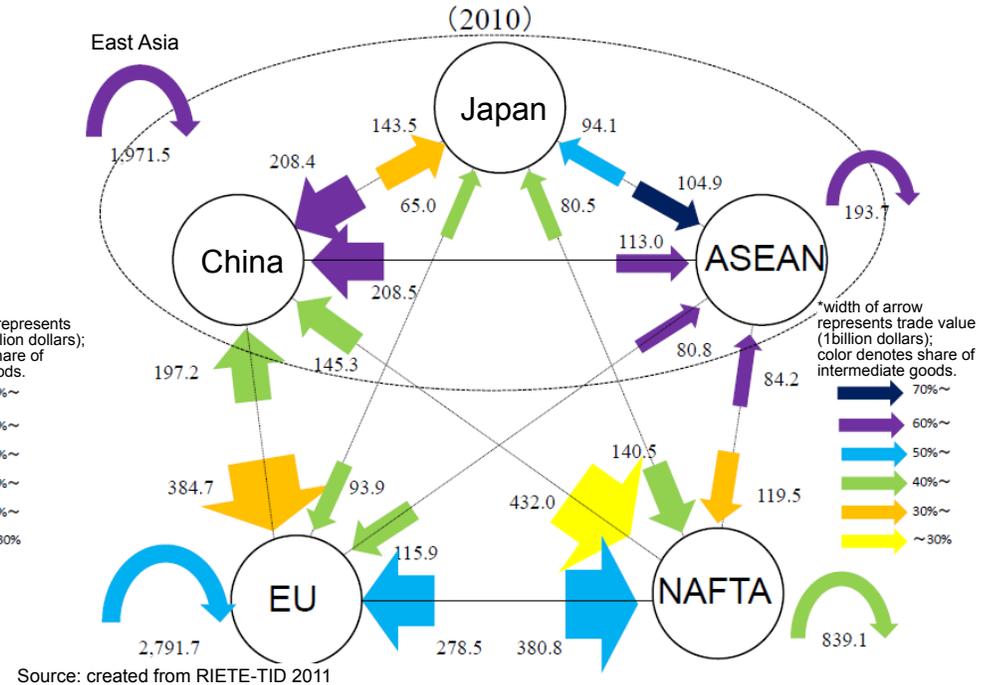
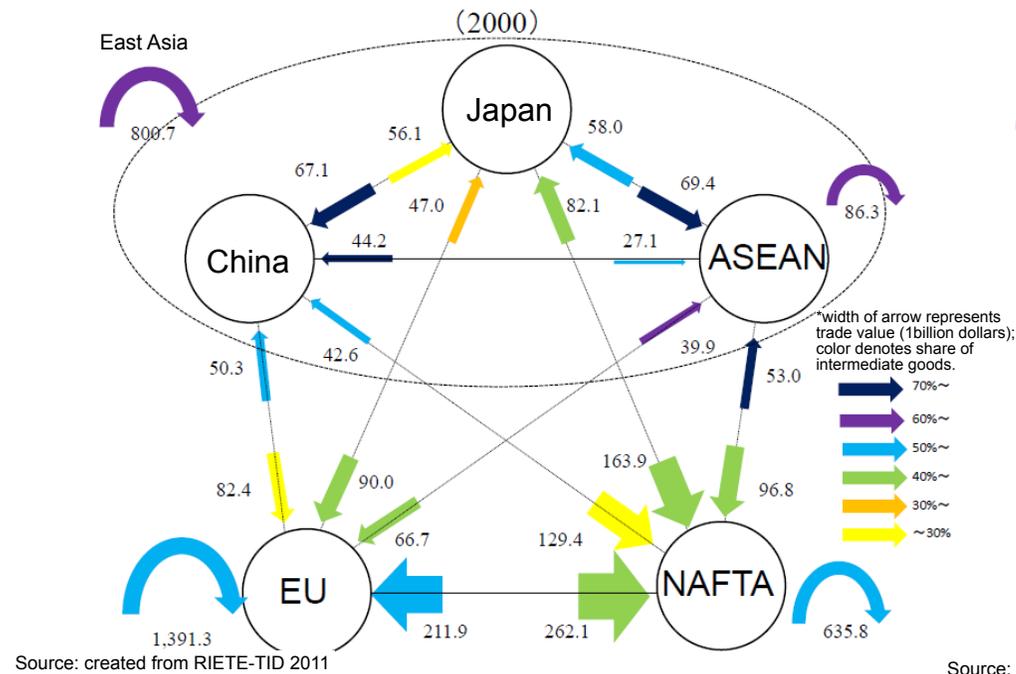
## Unification of supply chain networks in the East Asia region

- In order to increase exports to growth markets both inside and outside the East Asia region, the unification of corporate supply chains is essential.
- At present, each EPA has its own set of regulations (e.g. rules of origin), and the differences between these regulations hinder corporate activities. By unifying these regulations into a single set of simple, easy-to-use rules for corporations, RCEP will facilitate the establishment of an trans-national supply chain network.



# Change in quality of Japan-ASEAN-China trade

- Transaction volumes of intermediate goods have risen rapidly among ASEAN states. → This reflects the increasing sophistication of production networks in East Asia.

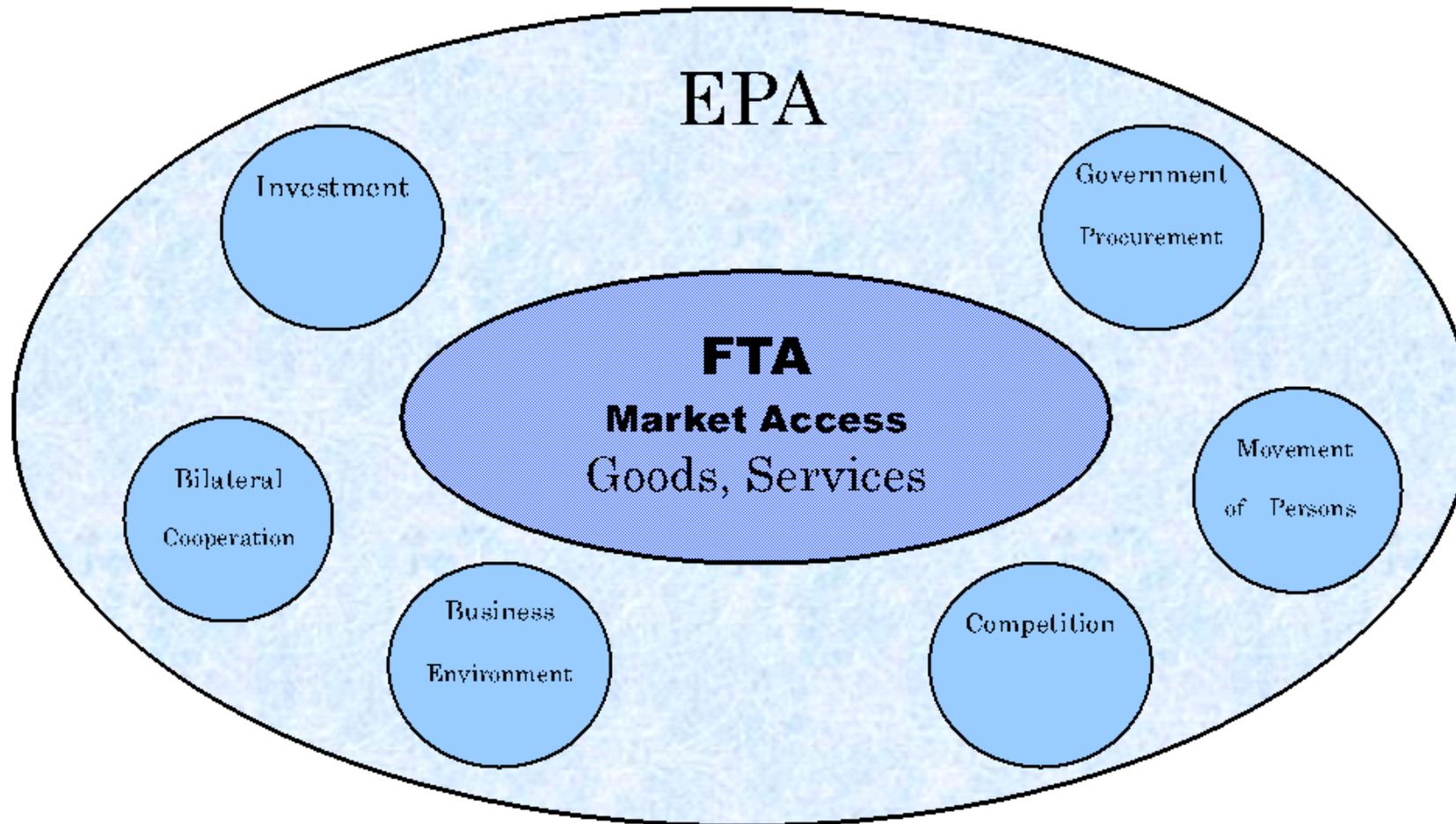


# Japan's FTA/EPA Achievement so far

- Japan-**Singapore** EPA (in force since 2002.11)
- Japan-**Mexico** EPA (negotiations started in 2002.11, in force since 2005.4)
- Japan-**Malaysia** EPA (in force since 2006.7)
- Japan-**Chile** EPA (negotiations started in 2006.2, in force since 2007.9 )
- Japan-**Thailand** EPA (agreement in substance 2005.9, in force 2007.11)
- Japan-**Indonesia** EPA (negotiations started in 2005.7, in force 2008.7)
- Japan-**Brunei** EPA (negotiations started in 2006.6, in force 2008.7)
- Japan-**ASEAN** EPA (negotiations started in 2005.4, in force 2008.12)
- Japan-**Philippines** EPA (agreement in substance 2004.11, in force 2008.12)
- Japan-**Switzerland** EPA (negotiations started in 2007.5, in force 2009.2)
- Japan-**Vietnam** EPA (negotiations started in 2007.1, in force 2009.10)
- Japan-**India** EPA (negotiations started in 2007.1, in force 2011.8)
- Japan-**Peru** EPA (negotiations started in 2009.5, in force 2012.3)
- Japan-**Australia** EPA (negotiations started in 2007.4, agreement in substance in 2014.04, in force 2015.01)
- Japan-**Mongolia** EPA (negotiation started in 2012.6, signed in 2015.02)
- Japan-**EU** EPA (negotiation started in 2013.03, **agreement in principle on July 6<sup>th</sup> 2017**)
  
- Japan-**Korea** EPA (negotiations started in 2003.12, suspended in 2004.11)
- Japan-**GCC** EPA (negotiations started in 2006.9)
- Japan-**Canada** EPA (negotiation started in 2012. 10)
- Japan-**Colombia** EPA (negotiation started in 2012. 12)
- Japan-**Turkey** EPA (negotiation started in 2014.12)

# Economic Partnership Agreement

## EPA: Japan's FTA Strategy



# Substance of Japan's EPA

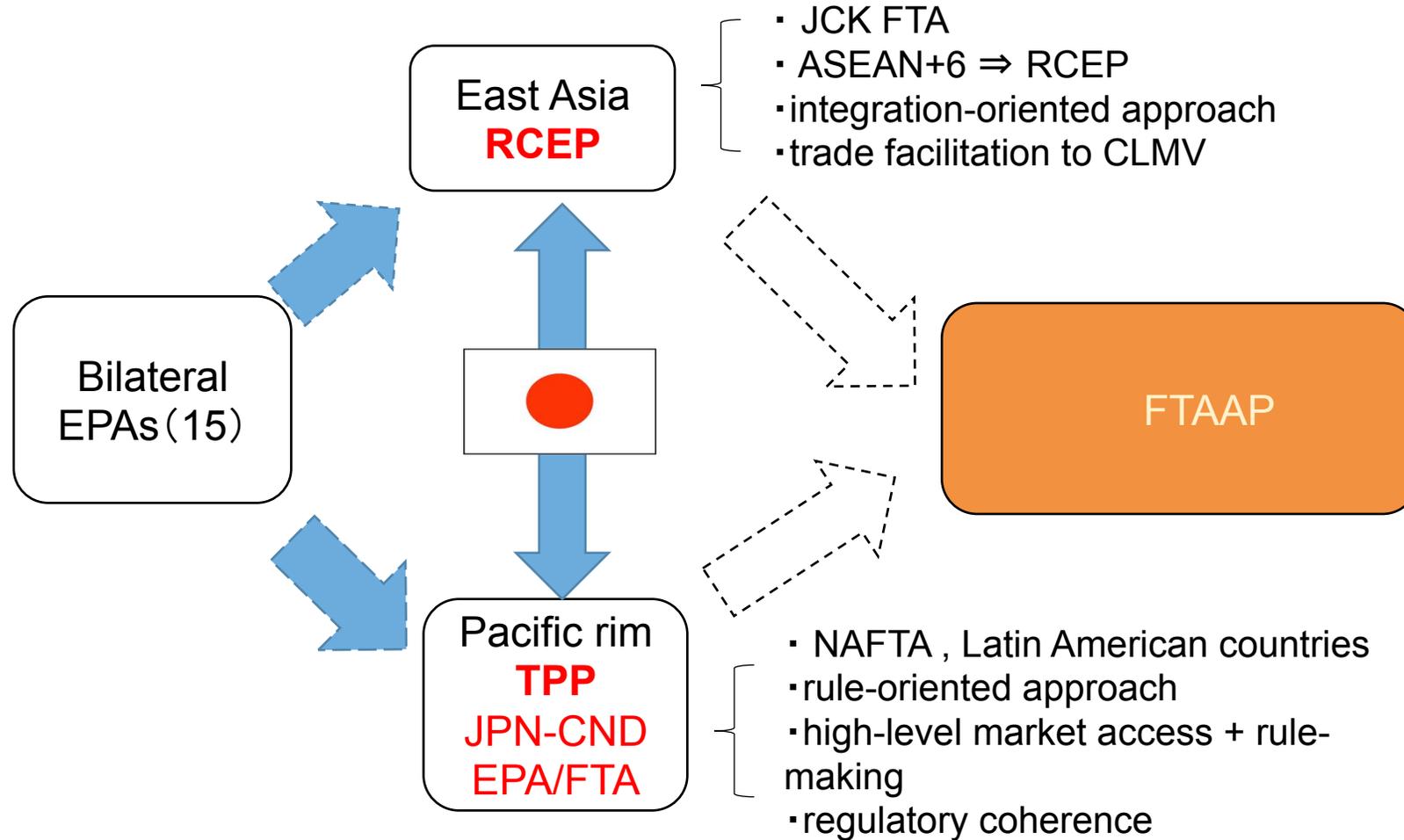
	Trade in goods			Trade in service				Investment				Government Procurement	Intellectual Property	Competition	Improvement Of Business Environment	Cooperation	Energy and Mineral Resources
	Market Access	SPS/TBT	Mutual Recognition	Market Access	National Treatment	MFN Treatment	Movement of Natural Person	National Treatment	MFN Treatment	Prohibition of performance requirements	Dispute Settlement between state and investor						
ASEAN	Vietnam	○	○		○	○		○			○			○	○	○	
	Philippine	○		○	○	○		○	○		○		○	○	○	○	
	ASEAN	○	○													○	
	Brunei	○			○	○		○	○		○	○			○	○	○
	Indonesia	○			○	○		○	○		○	○		○	○	○	○
	Thailand	○		○	○	○		○	○		○	○		○	○	○	○
	Malaysia	○	○		○	○		○	○		○	○		○	○	○	○
Singapore	○		○	○	○		○			○	○	○	○	○			
Latin America	Chile	○	○			○		○	○		○	○	○	○	○		
	Mexico	○	○			○		○	○		○	○	○	○	○	○	
Europe	Switzerland	○	○		○	○		○	○		○	○	○	○	○		

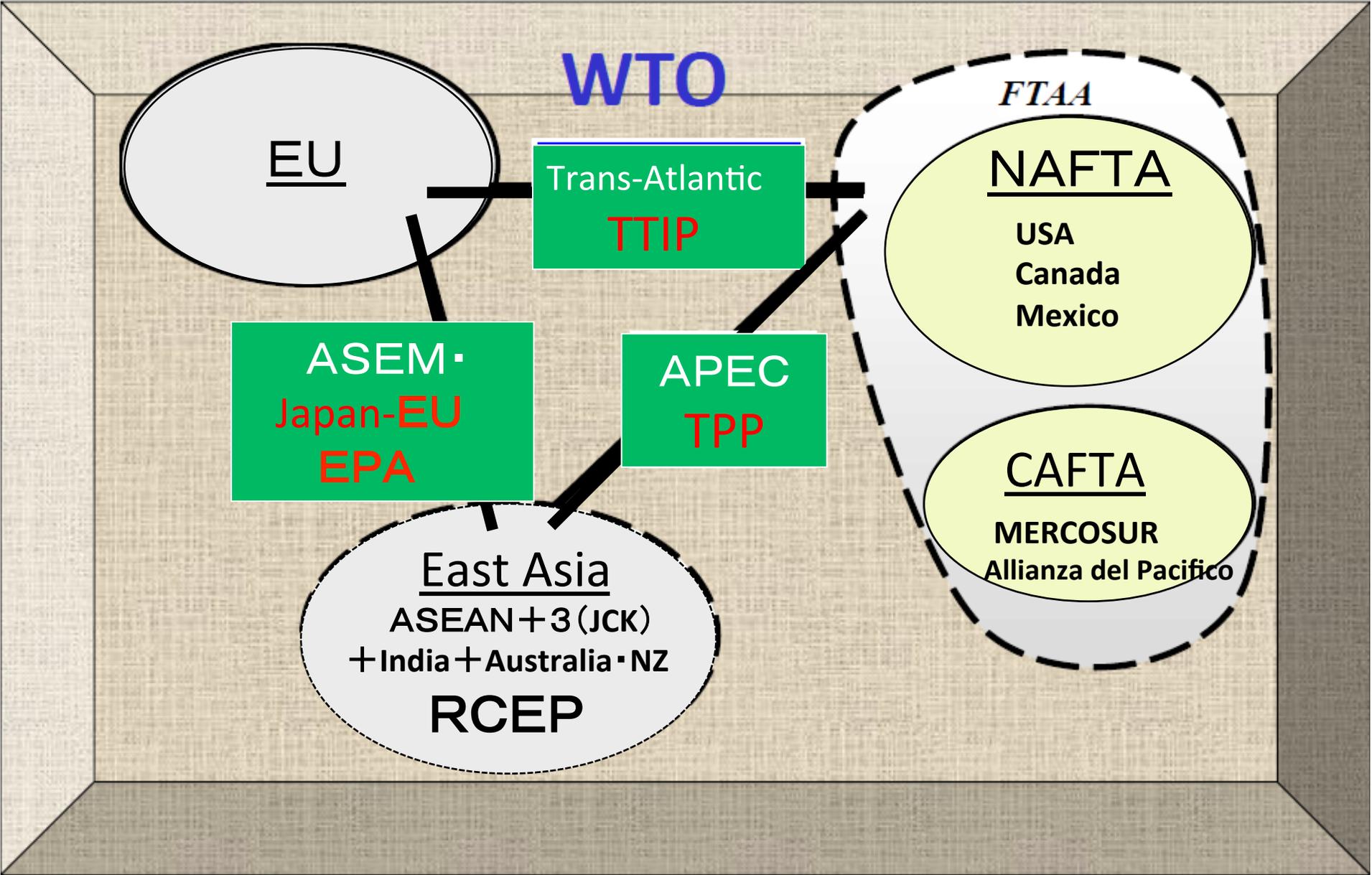
# Japan's FTA/EPA Strategy in Asia-Pacific & beyond: from “*de-facto* FDI-driven Integration” to “*de-jure* EPA-driven Integration”

- “*De-facto* Business-driven Integration” through Supply-chain and Production Networks
- FTA/EPAs to consolidate the merits of the De-facto Integration ⇒ “*de-jure* EPA-driven Integration”
- From Bilateral FTA/EPAs to **Wider Regional FTA/EPAs**: (ASEAN +1)x5, ASEAN+3, ASEAN+6=**RCEP**, Japan-China-Korea FTA
- Beyond Regional FTA/EPAs ⇒⇒⇒ the **TPP/TPP11** as an inter-regional FTA, the **Japan-EU EPA + Japan-Swiss EPA** to bridge East Asia and Europe

# Japan's FTA/EPA Strategy

## — a pivotal centre between TPP & RCEP —





# Concluding Remarks: from a Japanese Perspective

- **TPP/12** as a template for 21<sup>st</sup> Century-type trade agreements
- **TPP/11** to keep momentum for freer trade
- **RCEP/JCK FTA** for updating the production network in East Asia
- **Japan-EU EPA**: the only surviving inter-regional Mega-FTA to be concluded in due course

⇒⇒⇒⇒ to keep trade multilateralism embodied in the **WTO**,  
and thus to maintain **predictability** in international business

**Thank You for Your Attention !**  
**-- Free Trade for a Better Future --**

